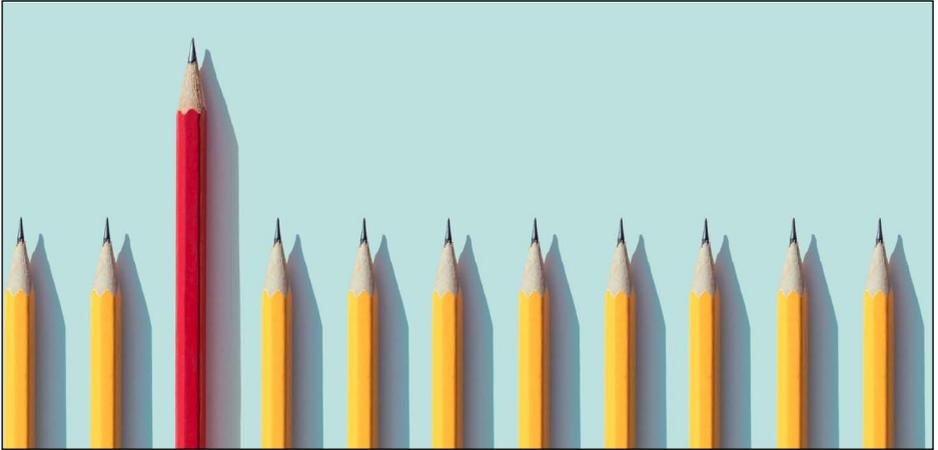# Leadership potential: Measurement beyond psychometrics

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Key digested message

Identifying and developing individuals with the potential to progress is crucial to an organisation's growth, success and survival. This article includes a review of current thinking on leadership potential and then goes on to suggest robust ways to measure this, alongside assessment of performance, using a combination of bespoke behavioural simulations, psychometrics and a complex processing test.

Identifying potential

MANY organisations use leadership frameworks and behavioural competencies within their talent management processes to assess capability. These frameworks tend to be broad and set out a standard for effective leadership performance in a range of competencies (6 to 8 is usual).

While assessing current leadership capability against the full range of skills is useful in performance management, promotion and management development discussion, many of these behaviours are irrelevant when it comes to identifying leadership potential. Leadership competencies typically describe the end-goal for business leadership talent and, in doing so, do not describe the pre-requisites for a successful journey.

Much research shows that there is a unique set of characteristics that have been found to be powerful indicators of future leadership capability. Attempting to use a full framework to evaluate whether an individual has what it takes to be a leader of the future dilutes the accuracy of this prediction and may lead to 'all-rounders' being promoted above those with strong leadership potential.

To enable us to accurately identify those who have the capability to progress further,

we need therefore to focus on measuring only those characteristics that have the predictive power.

Specific characteristics of potential

In determining precisely those characteristics that predict future leadership success, the research findings show there are four clusters or areas of competence consistently emerging as the critical factors. These 'Four Leadership Potential Indicators' (LPI's) highlight the key areas for effective talent prediction in the business context and discourage a focus on areas that are less relevant:

1. **People:** Essentially this indicator is underpinned by an individual's emotional intelligence. It describes an individual's interpersonal awareness and ability to manage their impact on others, as well as emotional resilience, integrity and honesty. Capability here provides the foundations for people to develop the ability to build powerful relationships, as well as lead, motivate and inspire others.

   In the 1990s, Daniel Goleman indicated that EI accounted for 67 per cent of the abilities deemed necessary for superior performance in leaders and mattered twice as much as technical expertise or IQ (Goleman, 1996). Later, Dulewicz and Higgs conducted a longitudinal study and found that EI was the strongest predictor of a managers' rate of advancement in their organisations, enabling them to identify EQ as something that predicts career success (Dulewicz & Higgs, 1999).

2. **Learning**: This indicator describes an individual's comfort within fluid and changeable situations, their appetite for seeking out new ideas and willingness to change their own behaviour as a result of feedback and self-insight; openness to learn from new, stretching experiences. McCall et al. (1998) found that competencies relating to the ability to learn and develop are strong predictors of high potential. Bennis and Nanus (1985) also identified that successful leaders are highly proficient in seeking out feedback, developing techniques to compensate for their weaknesses and learning from experience.

3. **Thinking:** This is an ability to process complex information accurately and quickly from a holistic picture, simplifying and making sense of abstract data. Findings show that there is a minimum level of IQ that is necessary for progression, but that IQ alone is not a predictor of leadership potential (Goleman, 1996; Bahn, 1979). Research suggests that the ability to think strategically and take a 'whole business' view predicts career advancement more strongly than IQ (McCall et al., 1994; Dulewicz & Higgs, 2000).

4. **Drive:** The passion to lead personal and organisational success. This competency encompasses an individual's willingness to expose themselves to a risk of failure and to make personal sacrifices in order to be successful. It therefore relates to people's level of self-motivation, energy, and tenacity. This is somewhat contextual and so is influenced by the organisational culture, values and the external environment, but nevertheless can still be assessed for that point in time, and indeed is valuable insight for an organisation especially if this is the only 'weak' indicator.

Table 1 offers a comparison of leadership models of potential. You will note there is strong alignment across all models and so seems to be a general agreement that these four elements have good leadership predictive power.

Table 1: Comparison of models of leadership potential

Four Leadership Potential Indicators	Maria Yapp	Lominger Quotients + TQ Talent Quotient	Lominger Predictor of Leadership Success	CLC (Corporate Leadership Council)	Ram Charan	DDI	International Leadership and Business Solutions
People	Emotional Agility	PQ	People Agility	Emotional Intelligence. Interpersonal Skills.	Balance tensions. Intellectually honest. Integrity/truth.	Brings out the best in others. Authenticity. Adaptability.	Social/Emotional Complexity and Capacity. Ethics.
Learning	Learning Agility	LQ / EQ	Change Agility (Curious, like to experiment/skill-building).	Mental/cognitive ability	Seek information. Passionately pursue learning and growth.	Receptivity to feedback. Learning Agility.	Learning Orientation.
Thinking	Strategic Agility	IQ	Mental Agility	Mental/cognitive ability.	Capacity to see broad context. See the broad view. Synthesize data.	Conceptual Thinking. Navigates Ambiguity.	Cognitive Complexity and Capacity.
Drive	Motivation Motives/Values	MQ	Results Agility	Discretionary Effort. Emotional/Rational Commitment. Intent to stay.	Dissatisfied with the status quo. Exhibit drive and aggression. Put their business on the offensive.	Passion for Results. Culture Fit. Propensity to Lead.	Drive and Achievement Orientation. Motivation to Lead.

This table illustrates how the 'Four Leadership Potential Indicators' align with other models of leadership potential.

Measurement methods

The usual approach to measure leadership potential is by using psychometric tools which tap into some of the more 'innate' factors that can be difficult to change. For example, trait-based personality questionnaires such as SHL's OPQ and Saville's Wave, can be mapped against the LPI's and, in conjunction with a validation interview, a rating can be made to reflect a potential strength or limitation. Also, specifically for the Thinking

indicator which concerns cognitive complexity (and not IQ), this can be measured by the Cognitive Process Profile (CPP). This is a computerised cognitive assessment test that externalises and tracks thinking processes to indicate a person's cognitive preferences and capabilities.

In addition to this psychometric-based approach to measure leadership potential, all the LPI's can be defined in behavioural terms and so can be measured in behavioral simulations. Dynamic case studies and role-plays where the assessor or role-player engages directly with the participant, using scripted questions and comments, can be designed to elicit relevant behavioural evidence. Further insight can also be extracted from a competency-based interview or behavioural-event interview, as past behaviour is a good predictor of future behaviour if assessed against the right potential indicators.

Hence, a matrix can be designed, such that both current *performance* and leadership *potential* can be measured at the same time, using some of the same assessment methods but with different behavioural rating criteria. See Table 2 for an example matrix.

With careful exercise/interview design, ratings are derived and mapped onto the usual 9-box potential/performance matrix. In this way rich and accurate data on both performance *and* potential can now be obtained. Selection decisions, and developmental strategy by individual can be made based on their current and predicted future state.

At a more granular level, high ratings on each LPI correlate well with specific, future leadership skills. Egon Zender in HBR (2017) show that Learning [Curiosity] is

Table 2: Example Assessment Matrix

Leadership Competencies (Performance)	Case Study	Role–Play	Structured Interview	Personality Questionnaire	CPP Test
Strategic	✓		✓		✓
Commercial Acumen	✓		✓		
Developing People		✓	✓		
Drive Change	✓	✓	✓		
Collaboration		✓	✓		
Influence	✓	✓	✓		
LPI's (Potential)					
People		✓	✓	✓	
Learning	✓	✓	✓	✓	
Thinking	✓		✓	✓	✓
Drive	✓	✓	✓	✓	

significantly correlated with the full range of leadership competency, whilst the other LPI's [hallmarks] are correlated with different competencies. For instance, Thinking [Insight] is a good predictor of Strategic competency, Drive [Determination] a good predictor of a Results-focused/Change-leadership type competency and People [Engagement] correlates well with Collaboration, Influence and Building Capability competencies. There are, therefore, ways to use this data in a more nuanced way if an organisation can identify what critical leadership strength it needs in the future.

Conclusion

There is solid evidence to support the Four LPI's as proven indicators of leadership potential. These can be measured alongside performance competencies with behavioural simulations, psychometrics and the CPP test to derive accurate ratings of performance vs potential. Ratings from LPI's correlate with specific future leadership competencies and so talent can be identified early, based on their general leadership potential and also by specific skill set that will be most valuable to an organisation in the future. Development planning is a richer conversation when potential is 'known' and can be achieved if the right environment, culture, experiences and feedback are in place.

The author

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